

NetChoice *Promoting Convenience, Choice, and Commerce on The Net*

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February 18, 2021

Rep. Steve Harshman, Chair
House Revenue Committee
State of Wyoming Legislature

Re: **Opposition to HB 88 -- repeal of data center sales tax exemption**

Chairman Harshman, and members of the committee:

NetChoice is a trade association of online businesses who share the goal of making the internet safe for free enterprise and for free expression.¹ Our members have used their data centers to help Americans cope with COVID lockdowns, as explained in this [2-minute video](#):



Now more than ever, Americans are depending on the Internet to be informed, stay connected, and get their work done.

Whether educating students, connecting with family, working from home, or participating in a virtual medical appointment, it's America's networks and data centers that enable all we're doing online today.²

We are therefore eager to inform your deliberations on HB 88's repeal of data center sales tax exemptions. Data centers contain essential production equipment to deliver services, so we want Wyoming to remain among the states who recognize that to attract capital-intensive large data centers, they need the same sales tax treatment allowed on equipment needed for other capital-intensive industries like mining, manufacturing, and agriculture.

Moreover, data centers are recession-proof, with engineering, technician, electrical, and construction jobs at competitive salaries. Where our members have invested in enterprise data centers, they contribute significantly to local taxes and are strong supporters of education and broadband expansion.

¹ NetChoice is a trade association of leading e-Commerce and online businesses, at www.netchoice.org The views expressed here do not necessarily represent the views of every NetChoice member company.

² Data Center video at <http://netchoice.org/datacenters>

And those investments continue, as our companies add data centers to established campuses such as this Facebook facility near Columbus, Ohio.

Facebook’s initial 970,000 SF center cost \$750 million, making it the largest commercial project in the city.

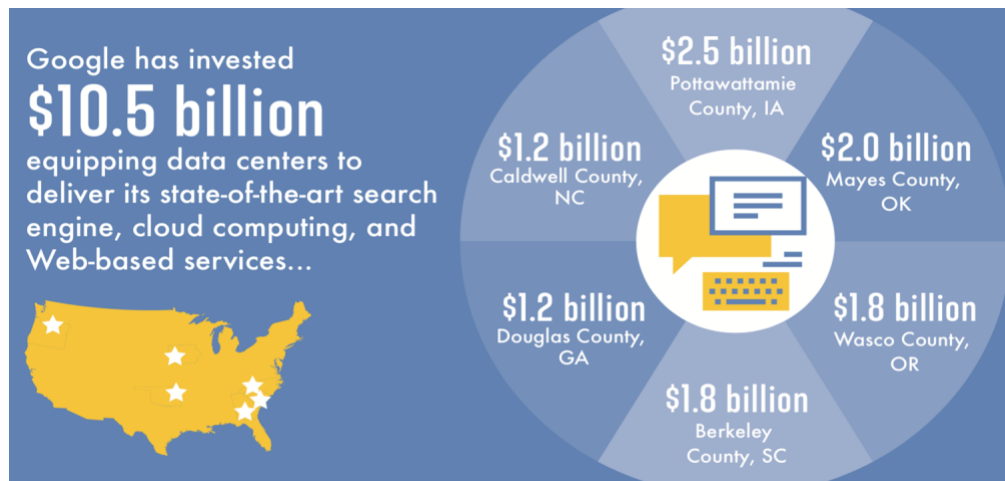
Construction brought \$244 million to the local supply chain and 1,200 construction workers earned \$78 million in wages.

Across the street, Google is planning a \$600 million, 275,000 SF data center on 440 acres, setting the potential for future expansion.³



Enterprise data centers are now in several states that have a data center sales tax exemption

Oxford Economics prepared this infographic to summarize its study of six Google data centers in rural and suburban counties in Iowa, Oklahoma, Oregon, South Carolina, Georgia, and North Carolina.



Oxford also studied the broader income and economic activity effects of those six Google data centers, finding \$750 million in labor income and \$1.3 billion in activity.



³ Columbus Business First (Apr-2019) *Facebook's New Albany data center will be much bigger than originally planned*"

Enterprise data centers bring Incremental economic benefits and incremental tax revenue

Not only do high wages in the data center industry offer a vital new employment option, but these centers also are a driving force in the development of renewable energy resources and upgrades to utilities and internet infrastructure. Moreover, the data centers generate new income and business taxes, sales taxes on non-exempt purchases and electricity, and local property taxes.

For that reason, we encourage you to use a “**Here vs Not here**” analysis of whether to maintain your data center exemption. This recognizes the reality that ***over the last seven years, no enterprise data center has located in states that impose sales tax burdens on data center server equipment.***

The decision to establish a data center sales tax exemption still generates incremental tax revenue—despite the sales tax exemption on data center equipment. The first table lists several economic benefits that accrue if the state is successful in attracting large enterprise data centers:

Incremental economic benefits of data centers	Here	Not here
Income & spending by construction workers & contractors	+	0
Income & spending by data center employees	+	0
Revenue for local suppliers, contractors, lodging, and restaurants	+	0
High-tech training and experience for workforce	+	0
Make the state more attractive for tech business and education	+	0
Diversify local economies	+	0

This second table lists incremental tax revenue opportunities from data center construction and operation—even after establishing a data center exemption:

Incremental tax revenue from data centers	Here	Not here
Taxes on electricity purchases, the largest operating expense	+	0
Sales taxes on non-exempt equipment and supplies	+	0
Sales taxes on services related to tangible personal property	+	0
Lodging taxes for visits by contractors and management	+	0
Local real estate taxes	+	0
Business personal property taxes	+	0

In June of 2019, Virginia’s Joint Legislative Audit and Review Commission (JLARC) published its audit report and evaluation of Virginia’s tax incentives for data centers, using confidential tax information

from data center taxpayers⁴. JLARC concluded that 90 percent of the investment in data centers eligible for the sales tax exemption would *not* have made in Virginia were it not for those tax exemptions. Those investments would have been made in other states that give data center equipment the same tax exemptions long given on equipment used in manufacturing and agriculture.

As Mangum concluded in its 2020 Virginia Study, “the ‘cost’ of the State data center incentive is only 10 percent of the amount of State sales tax revenue exempted.”⁵ In fact, JLARC’s analysis showed that Virginia recovered \$1.09 in state tax revenue for every dollar of sales tax that was exempted for data center equipment purchases in 2017.⁶

Additionally, at the local level data centers generate several hundred million in annual local property taxes in Virginia. That reduces everyone else’s property taxes while supporting schools and services.

Last year, Idaho’s legislature adopted this “Here vs Not here” analysis in the Fiscal Note for HB 521:

Passage of this legislation will have a positive impact on the general fund.

Though this bill allows a sales and use tax exemption, this legislation is prospective and is intended to attract business investment not already present in the state of Idaho.

*Business investment of two hundred and fifty million dollars (\$250,000,000) or more will create new jobs, not only to directly support the data centers, but also in construction jobs and indirect jobs.*⁷

Wyoming should not take itself out of the game for the next wave of data center investment

Already, tech and data centers are #1 in terms of capital investments in the US. In PPI’s most recent ranking of **Investment Heroes**, our tech industry invested \$70 billion in 2019 – more than energy, telecom, pharma, or manufacturing⁸.

That tech investment trend will almost certainly continue, with increasing American appetites for cloud storage of data related to autonomous vehicles, genomics, AI, and other emerging industries.

If the repeal proposed in HB 88 were enacted, Wyoming risks the same fate as the state of Washington, which vacillated on data center incentives over several

2019 U.S. CAPITAL EXPENDITURES (Millions USD)

1	Amazon.com	\$19,306
2	AT&T	\$18,520
3	Alphabet	\$18,037
4	Exxon Mobil	\$16,580
5	Verizon Communications	\$16,058
6	Intel	\$13,416
7	Facebook	\$12,457
8	Duke Energy	\$11,122
9	Microsoft	\$11,073
10	Comcast	\$10,467

⁴ Joint Legislative Audit and Review Commission (JLARC), *Data Center and Manufacturing Incentives, Economic Development Incentives Evaluation Series*. 17-Jun-2019.

⁵ Jan-2020, Mangum Economics, *THE IMPACT OF DATA CENTERS ON THE STATE AND LOCAL ECONOMIES OF VIRGINIA*, p.24, at https://www.nvta.org/NVTC/Insights/Resource_Library_Docs/2020_NVTC_Data_Center_Report.aspx?zs=doEs91&zl=5cbX5

⁶ JLARC Evaluation, Appendix N: Results of economic and revenue impact analysis, at http://jlarc.virginia.gov/pdfs/oversight/ED_initiatives/datacenters_Appendix%20N.pdf

⁷ Feb-2020, Statement of Purpose and Fiscal Note for Idaho House Bill 521, at <https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2020/legislation/H0521SOP.pdf> Signed into law in May 2020.

⁸ PPI Investment Heroes 2020, at <https://www.progressivepolicy.org/blogs/investment-heroes-2020/>

years. The state Department of Commerce found that Washington lost its competitive advantage for attracting data centers to Oregon:

*The inescapable conclusion of this research is that urban western Washington has ceded its leadership in the data center cluster to urban Oregon. Hillsboro has experienced dramatic growth in construction, capital investment, jobs, and income that would likely have flowed to Washington in part or in total if the competitive impacts of Oregon's tax and tax incentive advantages could have been neutralized.*⁹

We encourage you to hold fast to Wyoming's data center tax exemption, by rejecting the tax exemption repeal that is proposed in HB 88.

We thank you for your consideration and look forward to your questions.

Sincerely,

Steve DelBianco
President & CEO
NetChoice

The Honorable Barbara Comstock
Former Virginia Legislator and US Congresswoman
Advisor to NetChoice

⁹Jan-2018, Washington Department of Revenue, [State of the Data Center Industry: An Analysis of Washington's Competitiveness in the Fast Growing High-Tech Field](#)